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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, October 20, 1998

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

CASE NO. PUC970113

Ex Parte: Investigation of
the termination of local
exchange service for failure
to pay for long distance
services

ORDER SCHEDULING HEARING

The Commission initiated this proceeding to investigate a policy reaffirmed by an Interim Order entered January 28, 1988, in Case No. PUC870004, that allows local exchange carriers ("LECs") to terminate local service of customers who fail to pay the undisputed long distance charges billed by the LECs on behalf of certificated interexchange carriers ("IXCs"). An Order Inviting Comments was entered on July 23, 1997, and comments were received from nine parties. One of the parties, MCI Telecommunications Corporation ("MCI"), urged the Commission to conduct a hearing in this matter to consider evidence on the following:

- (1) the costs that will be incurred and then imposed upon customers, assuming the elimination of FSD [Full Service Denial];
- (2) the impact on toll services and prices;
- (3) the percentage of rate payers that may have been adversely impacted by disconnection for nonpayment;

- (4) the benefits of full service denial on the general body of rate payers; and
- (5) if necessary, consideration of other alternatives to the elimination of FSD which would achieve the . . . objectives [of the proposed rules]. (MCI Comments filed September 5, 1997, at pages 4-5)

A Staff Report was filed on September 26, 1997, and an Order Inviting Comments Concerning Staff Report was entered on December 4, 1997. Comments were filed January 16, 1998, by Hyperion Telecommunications of Virginia, Inc. ("Hyperion"), Bell Atlantic-Virginia, Inc. ("BA-VA"), and MCI. In these comments, MCI reiterated its position with regard to the Commission conducting an evidentiary hearing.

Proposed Rules Concerning Disconnection of Local Exchange Service were drafted, and the Commission's Order of August 3, 1998, gave notice and invited comments regarding these proposed rules. On or before the due date of September 4, 1998, comments were received from AT&T Communications of Virginia, Inc. ("AT&T"), MCI, BA-VA, The Virginia Telecommunications Industry Association, Cox Virginia Telecom Inc., GTE South, Inc., Sprint Communications Company, L.P., Central Telephone Company of Virginia, United Telephone - Southeast, Inc., John Grier Construction Company, and numerous private citizens.

Comments from the telephone industry spoke of a drastic increase in uncollectible bills if the Commission promulgates its proposed Rule A, that would prohibit terminating local exchange

service for a customer's failure to pay for toll services. Additionally, AT&T stated at page 13 of its Comments, "If the Commission intends to adopt regulatory rules that would increase carriers' annual expenses by millions of dollars, the Commission should conduct a proceeding to examine the full costs of implementation."

On October 16, 1998, MCI filed in this docket a Motion to Investigate "Cramming" and "Slamming" and requested the Commission to initiate the formation of an industry-Staff task force to study these two problem areas. The Motion further noted that MCI and others have previously requested a hearing regarding the investigation of the termination of local exchange service for failure to pay long distance services.

In light of the requests by several parties, the Commission will conduct a hearing to receive evidence concerning the possible economic and financial effects of implementing the proposed Rules, any issues raised in the above-noted MCI comments, and any other matter, material and relevant to the issues, on November 24, 1998. Any party desiring to submit evidence shall prefile its testimony and exhibits on or before November 13, 1998, with the Clerk of the Commission, P.O. Box 2118, Richmond, Virginia 23218, referring to Case No. PUC970113. Such direct testimony and exhibits shall be presented to the Commission at the November 24, 1998, hearing. Accordingly,

IT IS THEREFORE ORDERED THAT:

(1) A hearing to receive evidence concerning the financial and economic impact of the Rules proposed herein, any issues raised in the above-noted MCI comments, and any other matter, material and relevant to the issues, shall be held in the Commission's second floor courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia, on November 24, 1998, commencing at 10:30 a.m.

(2) Persons desiring to present evidence shall prefile the original and fifteen (15) copies of their testimony and exhibits with the Clerk's Office on or before November 13, 1998.

(3) Such direct testimony, cross-examination thereon, and rebuttal testimony will be heard at the November 24, 1998, hearing.

(4) This matter is continued generally.